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12 April 1967

MEMORANDUM FOR THE RECORD

SUBJECT: Budget Briefing for Messrs. Michaels and Woodruff

1. Bob Michaels and Bill Woodruff were at Headquarters for about three hours this morning for a briefing on our Fiscal Year 1968 budget. John Clarke and [redacted] gave them a very good briefing, which included those reductions as well as increases. I think they were impressed with the fact that there is a good deal of reprogramming going on all the time which is not reflected if one merely looks at the total dollar figures.

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2. At the conclusion of the briefing we discussed the Katzenbach report and its implications, and Bill Woodruff took away with him a copy of the A, B, and C lists for further study. We explained to them that it is simply too early for us to know just how we will come out on all of this and what the precise budgetary impact will be. They were fully appreciative of the uncertainties involved. At the same time, it was my definite impression that, insofar as our FY 68 budget is concerned, this is perhaps the most important problem with which the committees will have to deal. In other words, it was my impression that Michaels and Woodruff will not challenge our budget except as it might be affected in this important area. They undertook to come back within the next few days to pursue the matter with us, at which time we hope to know a little more than we do now about where we are going. Woodruff wants to do this as soon as possible, indicating some urgency about the matter.

3. I suggested that the deliberations of the 303 Committee and the newly appointed Rusk committee will probably not proceed fast enough to have a clear picture even by the end of this fiscal year and that perhaps the best way to proceed would be to review the FY 68 budget as submitted. The committees could then set up any kind of reporting mechanism they desire to monitor the changes as they are effected, and the savings could be placed in our Reserve, which would reduce or even eliminate any requests for replenishment of

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the Reserve in FY 69. This seemed to appeal to them with a slight modification. Michaels in particular seemed to think that the only realistic approach is to proceed with the budget as submitted. He suggested, however, that the committee might defer the actual markup until the eleventh hour, at which time we would know more precisely what reductions can be made. I made the point that, even in those areas where it has been decided that CIA will drop certain projects completely, there are at least two requirements for some of the funds in the budget, namely, liquidation costs of the current projects and new projects which might be generated to accomplish the same objectives in a manner not in conflict with the Katzenbach report. They recognize these points as valid, but it was also quite clear that we will have to be rather specific about liquidation costs and the new substitute projects in order to justify retention of all or part of the money.

4. We then philosophized a bit about our budget hearings. I sensed that, while Michaels is quite relaxed, Woodruff seems to have great problems. I asked if it were possible that we have a different kind of problem in the Senate than in the House. Woodruff then became quite candid and said that the real problem is how to deal with the budget if Senator Fulbright and the other invitees sit in. The short briefings given in previous years simply will not do and would give Senator Fulbright real ammunition to support his contention that the Russell committee is not really overseeing the CIA. I said that we are of course willing to give as much time as the committee can spare and to go into any amount of detail. Woodruff thinks that Senator Russell has a real dilemma on his hands, inasmuch as he probably will not want long, drawn-out hearings. One solution might be to have a meeting of the Appropriations subcommittee, which would exclude Senator Fulbright and the other invitees. He will give more thought to this problem, discuss it with Bill Darden, hopefully get some guidance from Senator Russell, and then offer us some suggestions on the type of presentations we should make.

5. During lunch I referred to the letter to Charlie Schultze from Representative Mahon and Senator Hayden on our [redacted] supplemental and asked them whether they had any views on where [redacted]

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to let me know if they have any different ideas, since the Director and I will be discussing this with Charlie Schultze within the next few days.

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6. It was obvious that both Woodruff and Michaels appreciated having the briefing [redacted] and both expressed a hope that their committees might come to Headquarters for the budget hearings. Michaels seemed to think that this might be a definite possibility, whereas Woodruff's expression was clearly a hope. He opined that he thought every member of the committee except Senators Russell and Hayden would probably be glad to come. While Senator Hayden is not too important in this regard, I said that I thought we would not dare have the rest of the committee come without Senator Russell, to which Woodruff replied, "You have a better insight into our method of operations than I realized."



L. K. White  
Executive Director-Comptroller

cc: DD/P  
D/PPB  
DDCI

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